



November 8, 2005

The Honorable John Spratt
Ranking Member
House Budget Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Spratt:

AARP recognizes that changes in Medicaid are necessary to strengthen this critical safety net. We support reforms that will make this important program more effective. Unfortunately, rather than improve Medicaid, the policies in the House budget reconciliation bill would unfairly deny health and long term care to people most in need. Therefore, AARP opposes the Fiscal Year 2006 budget reconciliation bill now awaiting consideration by the full House.

We strongly oppose changes that would penalize older Americans who have simply helped family members or given to charity. Real Medicaid loopholes should be closed, and the Senate reconciliation bill includes reasonable provisions to do so. But helping family members and contributing to charity is not a loophole. The extended look-back period and penalty date change in the House package would deny coverage at precisely the time when people have no way to pay for needed care – just because they had previously helped family or charities. For example, the House package, in effect, would prevent a stroke victim from entering a nursing home, even if there were no alternatives, simply because she had helped a grandson with college tuition costs years earlier. A private pay nursing home resident could be forced out of the nursing home for a period of time, even after all his assets were exhausted, if he had contributed to a hurricane recovery victim. The hardship exemption in the bill provides no real protection.

We also oppose a provision that would discriminate against people with low incomes in areas where real estate prices have skyrocketed by denying Medicaid coverage to individuals whose homes had significantly increased in value. States can already tap into beneficiaries' home equity to get reimbursement for Medicaid services through estate recovery after the beneficiary dies. Prohibiting coverage up front, however, could unnecessarily force people to either sell the homes they may have lived in for decades or get expensive reverse mortgages that require many thousands of dollars in transaction costs. Better alternatives, such as enforcement of estate recovery, could be pursued instead of denying care to those in need.

Page 2

Further, the bill weakens current rules that prevent community spouses of nursing home residents – generally older women – from slipping into poverty. And it eliminates a crucial protection by allowing states and providers to deny essential care to people who cannot afford premiums and copays.

AARP supports program reforms that will not simply shift costs to those in need, such as getting better drug prices, letting people control their own long term care services through "cash and counseling" programs, and expanding access to home and community-based care. The House bill appropriately addresses some of these important areas. Unfortunately, the House bill also includes the punitive measures that will deny care to some of our most needy individuals.

The harmful policies included in this legislation are unacceptable and therefore AARP urges you to oppose the fiscal year 2006 budget reconciliation bill. We look forward to working with members on both sides of the aisle on real Medicaid reform, not changes that will deny care to those in need.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill", written in a cursive style.

William D. Novelli
CEO